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LATHAM & WATKINS LLP

June 15, 2005

Marlene H. Dortch, Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

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Re: **Ex Parte Communication, Developing Unified Intercarrier
Compensation Regime, CC Docket 01-92**

Dear Ms. Dortch:

On Tuesday, June 14, 2005, Gary M. Epstein of Latham & Watkins LLP, counsel for the Intercarrier Compensation Forum ("ICF"), together with Eric Einhorn of SBC Communications Inc., Dick Juhnke and Jeff Lindsey of Sprint Corporation, Joel Lubin and Amy Alvarez of AT&T Corp., Tina Pidgeon of General Communication, Inc. ("GCI") and Ed Krachmer of Iowa Telecom (Mr. Krachmer by telephone) met with Thomas Navin, Tamara Preiss, Narda Jones, Randy Clarke, Steve Morris, Victoria Goldberg, Jay Atkinson, Lisa Gelb, and Jeremy Marcus of the Wireline Competition Bureau.

At the meeting, we handed out the materials attached to this letter and discussed both these materials and, more generally, the comments and responses to the reply comments in the above docket.

Please direct any questions concerning this matter to me at (202) 637-2249.

Very truly yours,

/s/ Gary M. Epstein

Gary M. Epstein

Intercarrier Compensation and Universal Service Reform Plan

Intercarrier Compensation Forum

The System is Broken

- Even When the Services are Fundamentally Alike, the Present System:
 - Establishes financial responsibility for the origination, interconnection and termination of traffic in a disparate and uneconomic manner;
 - Applies different rate structures; and
 - Applies different rate levels.
- Competition and new technology make this system obsolete and unsustainable.

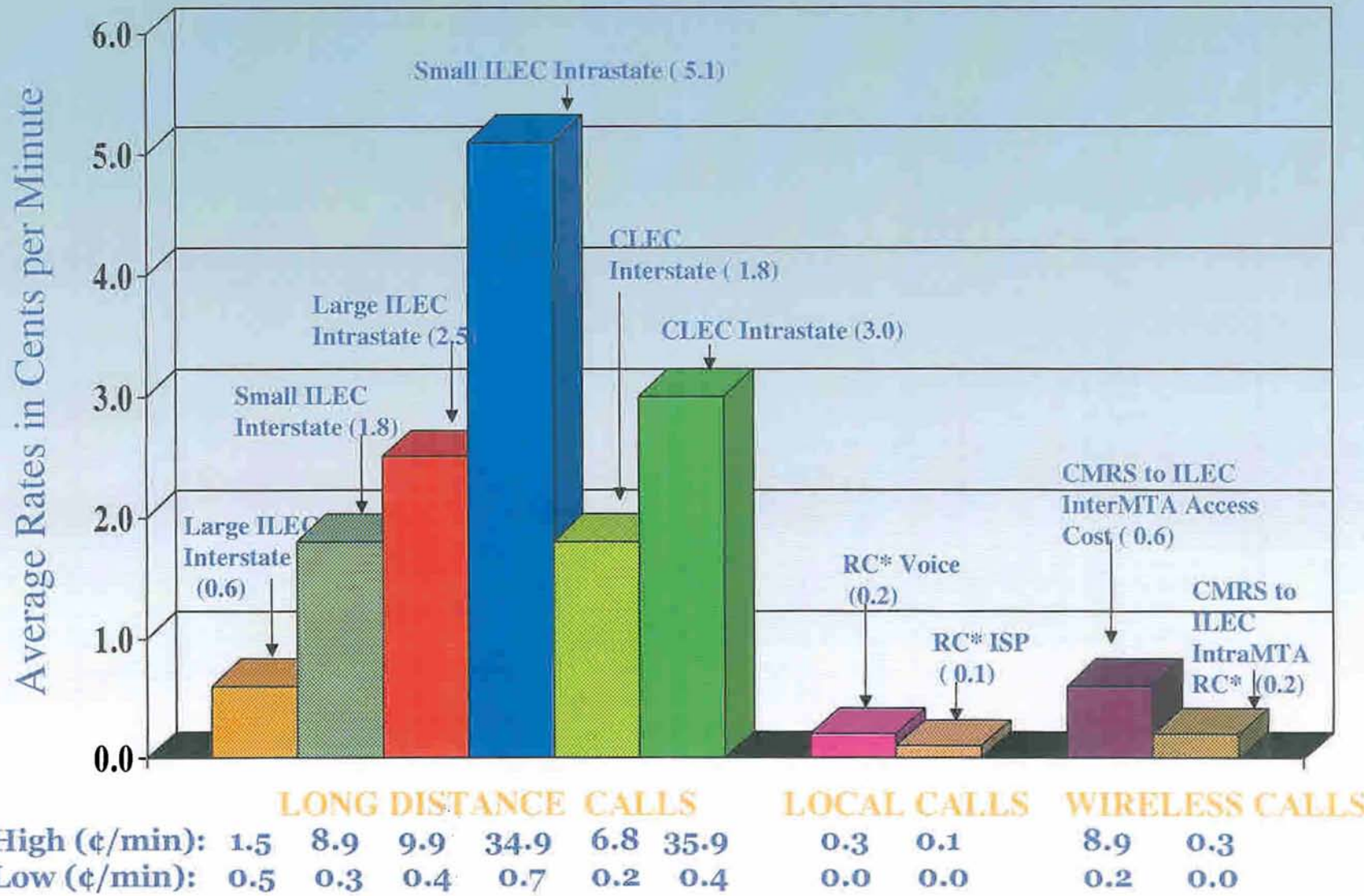
The Result

- Today's rules limit consumer choices.
- Today's rules encourage arbitrage and create inefficiency.
- Today's rules create uncertainty and instability.
- Today's rules fail fully to support universal service.
- Today's rules favor technologies that arbitrarily avoid the current system.
- Today's rules distort innovation.

Consumers Are Being Harmed

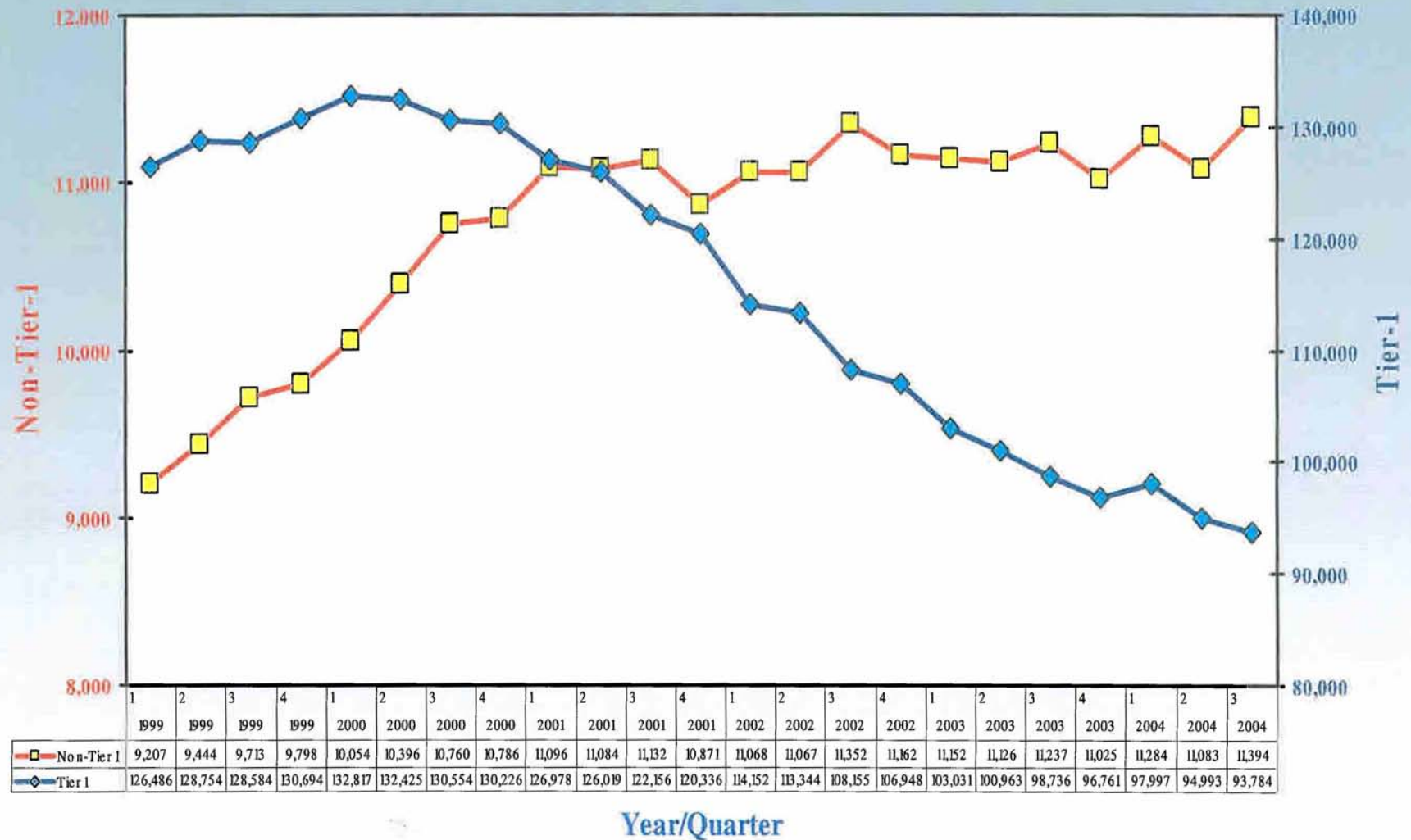
- Consumers do not receive the bundles and service packages they want.
- The current system encourages small rural local calling areas and forces carriers to maintain an archaic local-toll distinction.
- Consumers pay unsustainable inflated averaged toll rates that include implicit support.
- Low income consumers face particular risk from high toll charges.

Intercarrier Compensation Rates

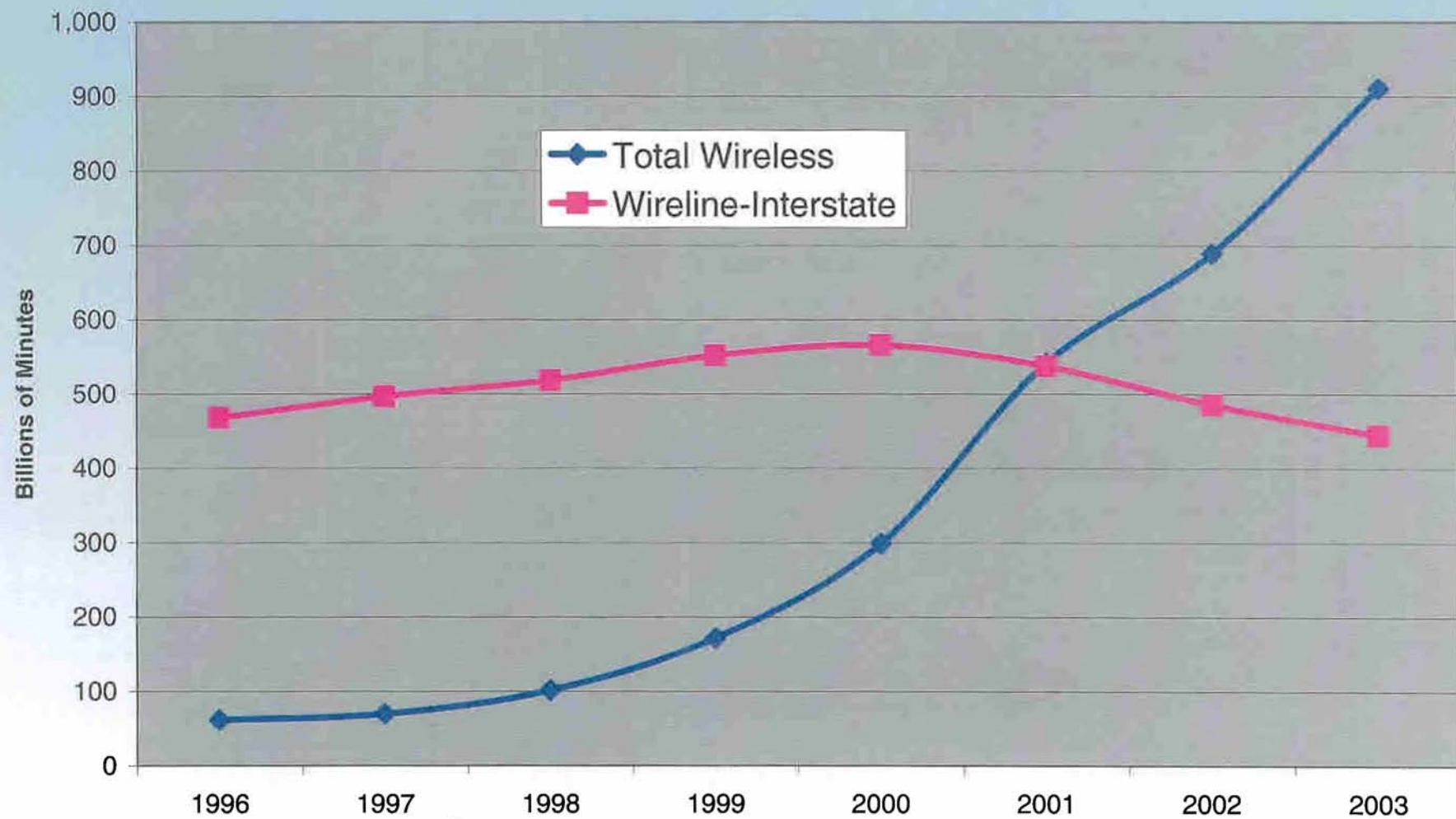


* RC = Reciprocal Compensation

Interstate Access Minutes (Millions) of Non-Tier-1 & Tier-1 ILECs



Traffic Trends: Total Wireless vs. Wireline Interstate



Source: FCC, NECA and CTIA

Our Goals

The Intercarrier Compensation and Universal Service Reform plan is designed to further the following public policy goals:

- ✓ Preserve and enhance universal service in all parts of the U.S.;
- ✓ Facilitate carrier efforts to innovate and offer new services and packages to consumers;
- ✓ Minimize or eliminate uneconomic arbitrage opportunities created by existing regulations in order to encourage timely deployment of new network technologies and capabilities;
- ✓ Minimize the cost of regulation by eliminating intercarrier disputes over interconnection and compensation arrangements; and
- ✓ Allow consumers and carriers to adjust expectations and business plans by implementing new intercarrier compensation and universal service structures over a reasonable transition period.

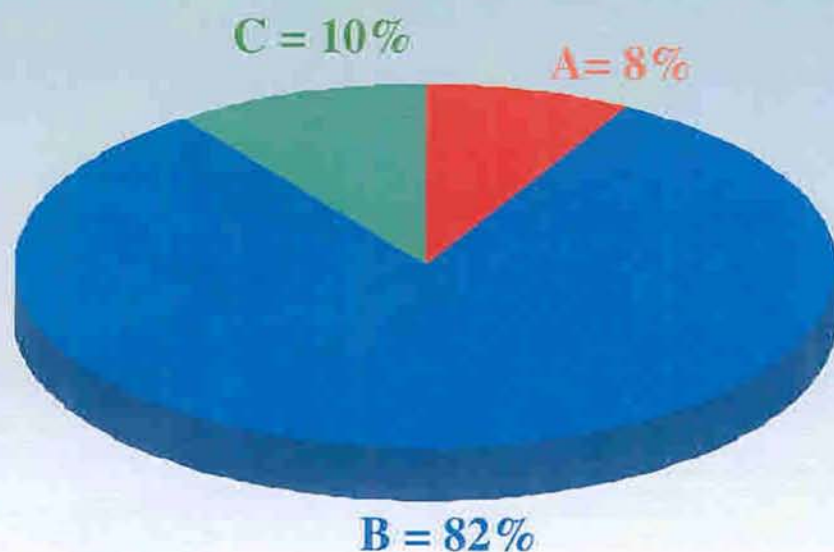
Our Process

- The industry group met for over 18 months to craft a comprehensive solution.
- Local, long distance, rural, wireless, competitive, and internet providers participated and provided significant input, which is fully reflected in the Plan.
- A single industry segment plan would have been quicker and easier to develop than the consensus ICF Plan, but would not be balanced.

The Solution – Universal Service

- Creates universal service stability and predictability using a broader contribution base and a sustainable contribution mechanism.
- Replaces today's unsustainable revenue-based system with a unit-based system that assesses unique working telephone numbers and non-switched, high-speed, dedicated network connections.
- Bases unit assessments of 1 unit on each unique working telephone number.
 - Residential DSL, cable modem and other high-speed, non-circuit-switched connections assessed 1 unit.
 - Business, non-switched, dedicated network connections assessed between 1 and 100 units depending on capacity.
- Enhances incentives for rural investment.

Source of Current Access Dollars Under The ICF Plan -- Non-Rural ILECs

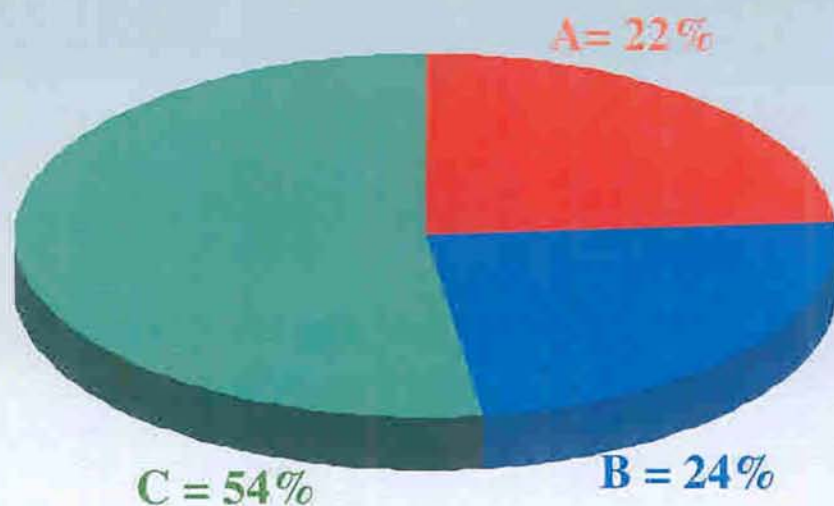


ICF Plan @ Step 5 (\$ Millions)

- A. Intercarrier Payments
Opportunity: \$ 594
- B. Enduser Revenue
Opportunity: \$6,164
- C. Additional ICRM Funding
Opportunity: \$ 745

Total Current Access \$ \$7,503

Source of Current Access Dollars Under The ICF Plan – Rural ILECs

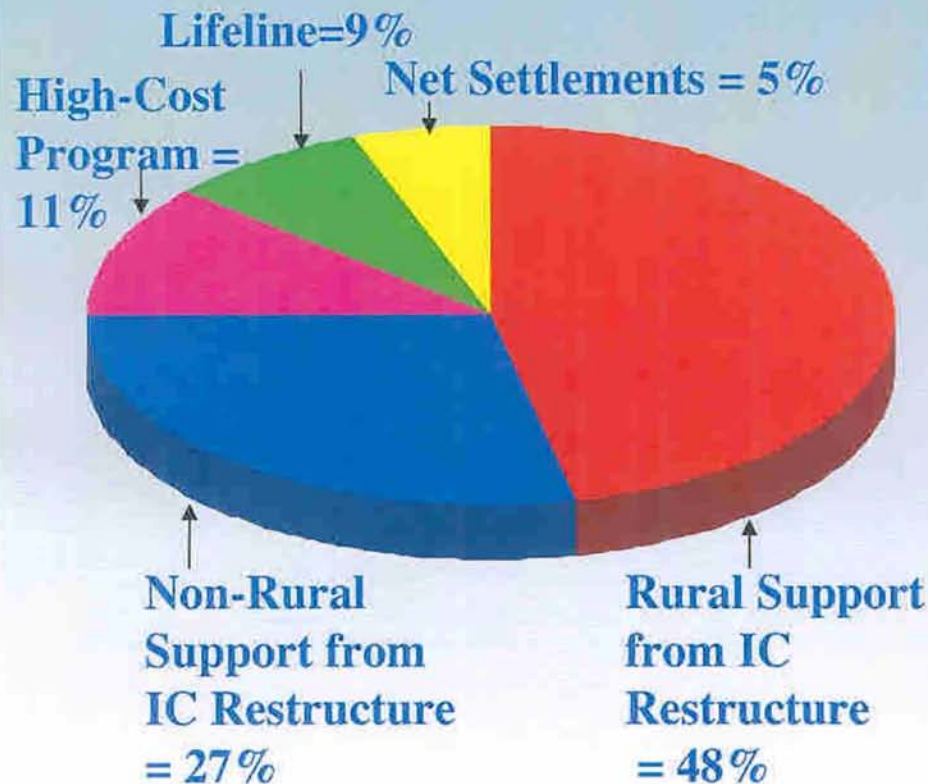


ICF Plan @ Step 5 (\$ Millions)

- A. Intercarrier Payments
Opportunity: \$ 530
- B. Enduser Revenue
Opportunity: \$ 563
- C. TNRM Support: \$1,300

Total Current Access \$ \$2,393

Components Of Total ICRM/TNRM Funds Under ICF Plan -- All ILECs



ICF Plan @ Step 5 (\$ Millions)

1. Rural Support From IC Restructure: \$ 1,300
2. Non-Rural Support from IC Restructure: \$ 745
3. Changes to High Cost Program Support: \$ 300
4. Increase in Lifeline Program Support: \$ 249
5. Net Settlements not in the Base: \$ 150

Total Additional FUSF \$ 2,744

The ICF Results

- The ICF Plan Achieves:
 - Uniform Network Interconnection Rules.
 - Uniform Rate Structure.
 - Uniform Rate Levels.
 - Universal Service Reform and Stability.
- The ICF Plan Resolves the Myriad of Problems Present in Today's Broken System.

ICF Plan Benefits to Rural Carriers

- Rate-of-Return Principles for Access Revenues (Inter- and Intra-State) Remains Intact.
- Continued Substantial Revenue Stream Through Inter-carrier Charges.
- Measured SLC Transition:
 - Between Step 1 and Step 5, Monthly Residential SLC Caps increase from \$6.50 to \$9.00 in \$0.50 Annual Increments.
- Prescribed Reciprocal Compensation Rates for CMRS Traffic.
- Opportunity for Special Access Mid-Course Correction

ICF Plan Benefits to Rural Carriers (Contd.)

- Transiting:
 - To The Extent a CRTC Uses Another Carrier's Tandem Transit Service, That CRTC Is Only Obligated To Pay For Traffic Destined To Other CRTCs.
- The ICF Plan Creates Incentives Which Will Enable Rural Carriers To Compete More Effectively.
- The ICF Plan Will Encourage Rural Carriers To:
 - Expand Local Calling Scope
 - Offer Bundles and Flat-Rate Services
 - Expand In To Long Distance Business